



A DELUSIVE PARADIGM: PECKING ORDER VERSUS
TRADE-OFF MODEL

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ABSTRACT

Confirming predictions shared by the trade-off and Pecking Order models, this study aimed to find out which model is better to a conclusively delusive paradigm. Firstly, 52 companies from various sectors in Bursa Malaysia from the period 2007 to 2009 were chosen as samples. The data were diagnosed by using unit root test and other econometric procedure to ensure the robustness of the study. Then, we Pooled OLS, Fixed and Random Effect model in the linear regressions were analyzed and found that the Fixed Effect Model was accepted. Based on the results, Debt issuing in both model was negatively related towards profitability where Equity issuing had a positive relationship. However, based on the comparison analysis, it was observed that the f-statistic showed similar indicators. It was concluded that could be used to earn good profit. However, the model is only suitable for particular strategies of the company. Therefore, the argument of past researchers was used to come up with the term into a term delusive paradigm.

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